

DOCKET SECTION
BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MODEN TO INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T4-86-97)

The United States Postal Service hereby provides responses of witness Moden to the following interrogatories of the Direct Marketing Association, Inc.: DMA/USPS-T4-86-97, filed on September 17, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999; Fax -5402
October 1, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MODEN
TO THE INTERROGATORIES OF THE DMA**

DMA/USPS-T4-86. Please refer to pages 5-7 of your direct testimony. Please provide the number of (i) MLOCs, (ii) Low Cost MLOCs, (iii) RBCs, (iv) DBCs, (v) CSBCs, and (vi) MPBCs being planned for deployment in FY 1997, FY 1998 and FY 1999.

Response:

- (i) There are no MLOCs planned for deployment in FY 1997, FY 1998, or FY 1999.
- (ii) There were 100 Low Cost OCRs planned for deployment in FY 1997. I am not aware of any additional planned deployments after FY 1997.
- (iii) RBCS is not a piece of equipment. As mentioned in my testimony, there are currently 250 RBCS sites and 55 REC sites. I am not aware of any additional REC sites and/or RBCS sites planned in FY 1998, or FY 1999.
- (iv) Approximately 300 DBCs remained to be deployed in FY 1998 to bring the total of DBCS deployments to nearly 4,800. None are scheduled for FY 1999.
- (v) The deployment of 3,732 CSBCs was completed during FY 1997. I am not aware of any additional planned deployments after FY 1997.
- (vi) There are no MPBCs planned for deployment in FY 1997, FY 1998, or FY 1999.

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DMA/USPS-T4-87. Please refer to page 9, lines 12-15, of your direct testimony in which you state there are "no major new equipment deployments (for letters) planned in the near term."

- a. Please explain why this is so.
- b. Please define "major equipment deployment." Please explain whether there is any new "minor" equipment deployments planned.
- c. Please define what you mean by "near term." Please explain whether there are any long term plans to deploy new equipment.

Response:

- a. As mentioned in my testimony, the Postal Service's goal is to have 88% of all letters barcoded in FY 1998 and to use those barcodes in accordance with the Postal Service's operating concepts in order to maximize the savings potential of the automation program. There are no major new equipment deployments planned because there is no additional equipment needed to achieve this objective.
- b. A "major equipment deployment" describes the deployment of a piece of equipment to the majority of our larger processing field sites. Accordingly, it represents a significant capital investment that must be approved by the Board of Governors, so it is considered a major equipment deployment. As for "minor" equipment deployments, that is a term that is not relevant to our deployment process. However, there are some enhancements and/or modifications that are being considered and/or have been completed to letter processing equipment that could be considered "minor" in the context in which you phrased the question. These items are listed in DMA/USPS-T4-48.
- c. The context in which I used the phrase "near term" in my testimony relates specifically to within the test year.

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DMA/USPS-T4-88. Please refer to page 9, lines 26-27, of your direct testimony where you state that "(b)y the end of Fiscal Year 1998, we anticipate that there will be 154,000 routes on DPS."

- a. Please explain whether you have revised your estimate of the number of DPS routes that will exist by the end of FY 1998 since the filing of R97-1.
- b. How many DPS routes do you estimate for the end of: (i) FY 1999 and (ii) FY 2000.

Response:

- a. The estimated number of routes on DPS by the end of FY 1998 has not been revised.
- b. The estimate of 154,000 routes on DPS in FY 1998 is reflective of a "full-up" environment. Accordingly, I do not have estimates for FY 1999 or FY 2000 at this time.

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DMA/USPS-T4-89. Please refer to page 13, lines 5-24, of your direct testimony. Please provide the number of (i) FSM 881s, (ii) FSM 881s with OCRs, (iii) FSM 1000s (iv) FSM 1000s with BCRs, and (v) FSM 1000s with HSFFs being planned for deployment in FY 1997, FY 1998 and FY 1999.

Response:

- (i) There are no FSM 881s planned for deployment during the period of FY 1997 through FY 1999.
- (ii) All 812 FSM 881s are scheduled to be retrofitted with OCRs from FY 1998 to FY 1999.
- (iii) There were 100 FSM 1000s deployed in FY 1997. An additional 240 FSM 1000s are scheduled for deployment from FY 1998 to FY 1999.
- (iv) The Postal Service is still testing barcode readers on the FSM 1000. Accordingly, there has been no Board of Governors approval and there are no deployments scheduled from FY 1998 to FY 1999.
- (v) There are no FSM 1000s with HSFFs planned for deployment from FY 1997 to FY 1999.

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DMA/USPS-T4-90. Please refer to page 16, lines 13-16, of your direct testimony where you state that "(m)ail volume is measured for each piece handling operation by machine meter, machine printouts, actual piece counts, or, if these methods are not feasible, by weight, or containers, which are then converted to pieces within MODS using national conversion factors," and to your response to DMA/USPS-T4-10.

- a. Please describe how "machine meter" and "machine printouts" measure mail volume.
- b. Please describe how mail "weight, feet, or containers" are converted to pieces using "national conversion factors."
- c. Please describe for which operations and for which types of mail volume is measured by (i) machine meter, (ii) machine printouts, (iii) actual piece counts, or (iv) use of national conversion factors.

Response:

- a. All USPS sorting machines have some form of mechanical or automated method for counting pieces processed. In the case of machine meters, the data is numerically displayed on a dial or other similar device. That data is then transcribed to a form for subsequent entry into the MODS system. In other cases, piece count information is generated by computer as part of the automated sorting operation. Data generated in this way can be automatically fed to the MODS system via local area network, by diskette or a printout can be generated for subsequent entry into the MODS system.
- b. For mail that is weighed, the total weight of the mail (less the tare weight of the container) is multiplied by the applicable conversion factor (e.g., letter or flats) to determine the number of pieces. For volumes measured linearly (i.e., in feet), the number of feet of mail is multiplied by the applicable conversion factor (e.g., letters or flats) to determine the number of pieces. For volumes derived from container

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counts, the number of containers is multiplied by the applicable conversion factor (e.g., letters or flats) to determine the number of pieces.

- c. All of the automated and mechanized letter and flat sorting equipment used to distribute mail has the ability to generate piece count data as the mail is sorted, i.e., read by a machine (OCR, BCS) or keyed by an operator (LSM, FSM). Similarly, virtually all of the parcel, sack and bundle distribution systems have the same capability. See LR-H-147 for a definition of the specific operations which utilize those equipment types. The use of national conversion factors for TPH is limited to manual distribution operations. Actual piece counts would be used in very limited circumstances where the volumes involved are extremely small (e.g. registry).

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DMA/USPS-T4-91. Please refer to page 16, lines 25-26, of your direct testimony. Please explain how MODS is currently used to "develop local staffing plans and work schedules."

Response:

The MODS system is the sole source of workload data in mail processing. As such, it is the input used for scheduling and staffing decisions. It is used in making both long term and short term decisions. For example, during the course of a tour, volumes processed compared to expected or "normal" volumes, provide an indication of the need for supplemental workhours (PTF, casual) or overtime. Longer term, historical MODS data is used as input to Site META to develop daily volumes and volume arrival profiles. See LR-H-221 for a description of the Site META model.

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DMA/USPS-T4-92. Please refer to page 19, lines 2-8, of your direct testimony.

- a. Please explain how workloads for each BMC operation use "conversion factors" to convert parcel workloads to "an equivalent parcel sorting workload" using PIRS. In responding, please explain how such conversion factors are calculated and the derivation of the data upon which the conversion factors were determined.
- b. Please explain how letter and flat workload and processing productivities are calculated at BMCs using PIRS.

Response:

- a. A parcel is the elemental workload unit. Standard conversion factors are used to convert all other workload units (e.g. sacks, containers, etc.) to equivalent parcel sorting workloads in order to make comparisons between facilities possible.. For example, in order to convert sacks counted on the sack sorting machine into equivalent parcels, the number of sacks is multiplied by the equivalent parcel conversion factor for such sacks. Since parcels are the elemental unit to which all others are converted, there is no need to convert parcels to an equivalent parcel sorting workload. The conversion factors used in this process have been in existence since 1985. I am told that the conversion factors were calculated from a "time and motion study" , but have no knowledge of the actual computations or the data involved
- b. As noted in my testimony, BMCs process containers and parcels. They do not perform individual piece distribution of letters or flats. See DMA/USPS-T14-34 for a *narrative description of PIRS*.

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DMA/USPS-T4-93. Please refer to page 19, lines 10-13, of your direct testimony in which you state that "productivities have changed significantly over the long period, FY 88 to FY 96, covered by the cost study."

- a. Please explain how "productivities have changed significantly" between FY88 and FY 96 and provide all data supporting your response.
- b. Please describe and provide (as a library reference) the "cost study" to which you refer if you are not referring to witness Bradley's testimony.
- c. Although a review of the "major factors that affect productivity" (pages 19 through 22 of your direct testimony) indicates reasons that productivity may have declined, please explain whether the great increase in automated machinery and DPS (as detailed in Section II of your direct testimony) should lead to an overall increase in productivity.

Response:

- a. The data speak for themselves. I am told that volumes and workhours by AP for FY88 - FY 96 are available in dataset VVMP0.dat , found in LR-H-148, and productivity is merely the quotient thereof.
- b. My testimony was referring to witness Bradley's testimony.
- c. Deployment of automated processing equipment increases the efficiency of postal processing operations.

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DMA/USPS-T4-94. Please refer to page 20, lines 13-22, of your direct testimony. Please quantify the increase in OCR rejects. Please explain why, although the OCR reject rate may have grown, overall productivity should not increase because of the greater volume of mail being processed more efficiently using barcode readers?

Response:

I am told that the reject rate for the OCR cost pool increased from 31% in 1993 to 36% in 1996. The efficiency of postal processing operations has increased with the deployment of automated processing equipment.

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DMA/USPS-T4-95. Please refer to page 22, lines 16-23, of your direct testimony.

Please explain why the marginal cost of mail processing activities should not differ between MODS and non-MODS offices if the complexity and the employees' familiarity with the local delivery area of non-MODS facilities are significantly different from MODS facilities.

Response:

I have not studied marginal costs and thus am not able to respond to this question.

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DMA/USPS-T4-96. Please refer to your response to DMA/USPS-T4-18, subpart c, where you state that Standard A letters will be deferred before first class letters and flats are deferred if on Tour 1 an office is unable to sort all the mail in the late surge period.

- a. Is this also the case for (i) Tour 2 and (ii) Tour 3? If not, please explain your response(s) fully.
- b. Does the deferral in Tour 1 that you cited in your response to DMA/USPS-T4-18 lead to Standard A mail being sorted manually or on LSMs, rather than on OCRs or BCSs? Please explain your response fully.
- c. If your response to either part of subpart (a) is "yes," does the deferral in (i) Tour 2 or (ii) Tour 3 similarly lead to Standard A mail being sorted manually or on LSMs, rather than on OCRs or BCSs? Please explain your response fully.

Response:

- a. The processing priorities are spelled out in the Postal Operations Manual (LR-H-147). Standard A mail will be deferred before First Class mail is deferred whenever there is a conflict based upon service commitments and capacity constraints to the extent that the two classes of mail are separated from each other. However, most Standard A volume is processed on tour 2 while tour 3 is primarily an outgoing preferential processing tour, and tour 1 is primarily an incoming preferential processing tour.
- b. No. Deferral means that Standard A mail will be processed after the First Class Mail within the same processing operation.
- c. No. See response to (b) above.

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DMA/USPS-T4-97. Does the Postal Service have or collect data that would allow it to determine clerk and mailhandler hours by AP by tour at MODS offices? If so, please provide it for FY96.

Response:

An objection has been filed to this interrogatory.

DECLARATION

I, Ralph J. Moden, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information and belief.

Ralph J. Moden

Dated: 10/1/97

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 1, 1997